

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 3/22/2017

GAIN Report Number: RS1719

Russian Federation

Post: Moscow

Russian Agricultural Policy and Situation Bi-Weekly Report - 4

Report Categories:

Agriculture in the News

Approved By:

Jonathan P.Gressel

Prepared By:

Staff

Report Highlights:

Turkey Removes Eligibility of Russian Commodities for Inward Processing Regime... Russia Amends a List of Banned Products of Turkish Origin... Minister Tkachyov States Priorities for Agricultural Sector and Requests 36 billion Rubles in New Funding... Government Approved Procedure for Control of Circulation of GE Organisms in Russia... Grain Stocks on March 1, 2017 are 32.0 MMT... First Deer Breeding Center to be Constructed in Republic of Sakha (Yakutiya)... Kazakhstan and China to Increase Railroad Freight Traffic by 32.4 Percent in 2017... EuroChem Extracts First Million Tons of Phosphate Rock in Kazakhstan... Vietnam Plans to Start Shipping Goods through Kazakhstan to Europe...

General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Turkey Removes Eligibility of Russian Commodities for Inward Processing Regime (IPR) : On March 15, Turkey revoked the eligibility of Russian rice, sunflower oil and meal, wheat and corn for duty-free import under the "Inward Processing Regime" in which Turkish companies can import commodities duty-free if they export the processed product. Turkey has remained the second largest destination for Russia's wheat in the past several years (after Egypt), and uses Russia's wheat to produce flour for exports. Russia had already exported 2.0 MMT of wheat to Turkey through February of the 2016/2017 MY. In the entire 2015/2016 marketing year, Russia exported 3 MMT, so the measure will likely have a real impact on trade. Some analysts believe Turkey's action is related to the limited relief Russia has provided on its January 2016 ban on a number of Turkish agricultural commodities (see below).

https://www.gazeta.ru/business/news/2017/03/16/n_9806297.shtml

<http://economics/fea/41106-tupetskiy-zappet-na-pshenitsu-chto-stanet-s-possyiskim-pynkom.html>

Russia Amends a List of Banned Products of Turkish Origin: On March 9, the Government of Russia issued Decree#276 amending the list of banned agricultural products from Turkey to exclude certain agricultural items such as carnation flowers, yellow onion, shallot, cauliflower, and broccoli (HS Codes 060312, 070310, 070410, 170410 and 250100). On November 30, 2015, the Chairman of the Government signed Decree No. 1296 "On Implementation of the National Security of the Russian Federation and on Implementing Special Economic Measures against Turkey." Starting from January 1, 2016, Russia implemented a ban on importation of a number agricultural products originating from Turkey. Russia continues to ban imports from Turkey of frozen turkey and chicken, strawberries, pears, grapes, tomatoes, cucumbers and some other products. Also in May 2016, Russian Veterinary and Phytosanitary Service introduced import restrictions on fresh peppers, aubergines, lettuce and pumpkins. <http://government.ru/media/files/GRARiHdNIWb110wUg3LyPSAJPIDeTnLX.pdf>
<http://government.ru/docs/26720/>

Minister Tkachyov States Priorities for Agricultural Sector: On March 14, Minister of Agriculture Alexander Tkachyov delivered a speech on the development of the agricultural sector and the status of spring field works at a regular meeting of the "United Russia" party. Minister Tkachyov stated priorities for the sector include: increasing efficiency of measures of state support; providing accessible credits for farmers and agricultural producers, technical renovation, developing new farm lands; improving rural life, soil cultivation, selection and genetics and agricultural cooperation. He also announced that it is necessary to allocate an additional 36 billion rubles this year and distribute the funds to four directions: 1) nine billion rubles – for soft interest rate short-term loans; 2) ten billion

rubles – for soft interest rate investment loans; 3) ten billion rubles – for the uniform agricultural subsidy program; and 4) seven billion rubles - for additional capitalization of Rosagroleasing.

<http://www.mcx.ru/news/news/show/59612.355.htm>

Government Approved Procedure for the Control of the Circulation of GE Organisms in Russia:

Government Resolution No. 281 of March 13, 2017, approved the Procedure for the Federal Service for Surveillance in the Sphere of Consumer Rights Protection and Human Welfare (Rospotrebnadzor) for the Control of Circulation of Genetically Engineered (GE) Organisms in Russia. The document was drafted by Rospotrebnadzor in implementation of the Federal Law 358-FZ of July 2016 (for more information see FAS/Moscow [GAIN report](#)) that banned cultivation of GE crops and tightened control over circulation of GE organisms in Russia. The Resolution#281 authorizes Rospotrebnadzor to monitor the effect of GE organisms (GM or genetically modified in the Russian text) and GE food production on humans and the environment, and to control the release of GE organisms into environment. The monitoring will include data collection and processing, and analysis of influence of GE organisms and GE food on humans and environment. Rospotrebnadzor is authorized to annul the certificate of registration of a GE organism or GE food product in case of finding negative effect of this organism on humans and/or the environment. The Resolution# 281 also obliges Rospotrebnadzor to publish results of monitoring on its website and in the Internet. <http://government.ru/docs/26784/>

Grain Stocks on March 1, 2017 are 32.0 MMT: This is the sixth month in a row of the highest grain stocks (y-o-y) in the last seven years, and the surplus in stocks, y-o-y, increased. Thus, grain stocks on February 1, 2017, were higher than stocks on February 1, 2016 by 4.1 MMT, and on March 1, 2017, these stocks were 4.4 MMT higher than on March 1, 2016. The high level of stocks is due to the record grain crop and a slower pace of exports than last year. In July 2016 through February 2017, Russia exported 25.3 MMT of grain and pulses, four percent less than in the same period last year. In Southern European Russia (Southern and North Caucasus federal districts), the major grain exporting districts of Russia, stocks were also the highest in the last seven years – 9.5 MMT, and 39 percent higher y-o-y.

http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d01/50.htm.

First Deer Breeding Center to be Constructed in Republic of Sakha (Yakutiya): On March 17, the First Deputy Minister of Agriculture Dzhambulat Khatuov took part in the activities of the 4th All-Russian Congress of Reindeer Breeders that took place in Republic of Sakha (Yakutia). In his presentation to the Congress participants, DM Khatuov stated that development of reindeer farming is very important to maintain social and economic stability for indigenous groups living in the Russian North, Siberia and the Far East. He also said that Russia has always had a leading position among Arctic countries in terms of reindeer population. Currently Russia accounts for 1.6 million head of reindeer. Since implementation of the State Program “On the Development of Agriculture,” 670 million rubles were allocated to support reindeer farming and increase the reindeer population. The Ministry of Agriculture made a decision to construct a breeding center for reindeer in the Republic of Sakha for production of quality genetics. First Deputy Minister also mentioned that the Ministry is now working on additional support measures to support reindeer farming in 2018.

<http://www.mcx.ru/news/news/show/59765.355.htm>

Kazakhstan and China to Increase Railroad Freight Traffic by 32.4 Percent in 2017: The freight traffic between Kazakhstan and China will come to 11 MMT in 2017. The Kazakh and Chinese railway companies agreed to increase the volume of cargo transportation during the meeting of the Organization

for Cooperation between Railways (OSJD).

In 2016, the cargo turnover between Kazakhstan and China via railroad stood at 8.3 MMT. In 2017, the parties plan to increase it by 32.4 percent. Exports from Kazakhstan to China will increase by 18.9 percent to 5.59 MMT and imports to and from China to Kazakhstan will increase 50 percent to 5.4 MMT. The participants of the meeting discussed the industry results in 2016, agreed on the volume of cargo transportation for 2017 and made quarterly plans for each border checkpoint. The meeting of OSJD in Almaty was attended by the representatives of railway companies and foreign trade organizations of Kazakhstan, Vietnam, China, Mongolia, Russia, and North Korea. The next meeting is scheduled for March 2018 in Pyongyang.

Kazakhstan Temir Zholy (KTZ) is the operator of the country's railway system and specializes in passenger transportation, cargo haulage, logistics, infrastructure, investment projects. The company is part of the National Welfare Fund "Samruk-Kazyna."

<http://www.interfax.kz>

EuroChem Extracts First Million Tons of Phosphate Rock in Kazakhstan: The Kazakh company EuroChem-Udobrenia LLP, part of the international holding EuroChem, has extracted the first million tons of phosphate rock since launching its project. EuroChem is investing in a mining and chemical complex project in Zhambyl region. The project's first phase was completed in late 2015 and in 2016 EuroChem's facilities their design capacity of 640,000 MT of phosphates per year. During the implementation of the first phase, \$120 million was invested while the total investment in the mining and chemical complex in the city of Zhanatas is estimated at one billion U.S dollars.

It was reported that in late 2015, EuroChem-Udobrenia LLP began building the chemical complex EuroChem-Karatau with the capacity of one MMT of phosphate fertilizers per year. The company plans to phase in the chemical complex and put all facilities into operation in late 2018 - early 2019.

Kazakhstan is ranked 2nd in the world after the US in phosphorite (phosphate rock) reserves. Kazakhstan's largest phosphorite deposits are located in the Karatau mountains in southern Kazakhstan.

EuroChem is a leading global agrochemical company producing primarily nitrogen and phosphate fertilizers, as well as certain organic synthesis products and iron ore. EuroChem is currently developing two sizeable potash deposits in Russia under its VolgaKaliy and Usolskiy Potash greenfield projects. Headquartered in Zug, Switzerland, the company operates production facilities in Belgium, China, Kazakhstan, Lithuania, and Russia and employs more than 23,000 people globally.

<http://www.interfax.kz>

Vietnam Plans to Start Shipping Goods through Kazakhstan to Europe: This year Vietnam is going to generate the first flow of goods in transit through Kazakhstan to Europe and the countries of Central Asia. Vietnam Railway representatives stated that the countries of the Association of Southeast Asian Nations (ASEAN) can establish a land transit service to Europe via China and Kazakhstan (Khorghos). Vietnam officially signed a free trade agreement with the East Asian Economic Union (EAEU) countries, which facilitates the movement of goods from the country to Eastern and Western Europe. Reportedly, Vietnam is planning to import grain and other Kazakh goods to Vietnam exclusively by a

continental rail route without transshipment at the port of Lianyungang directly to the capital city of Hanoi. On 20 February, National Company Kazakhstan Temir Zholy and Vietnam Railways signed a memorandum of cooperation in rail transportation.

<http://www.interfax.kz>